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April 11, 2006


VIA FIRST-CLASS MAIL SERVICE

The Honorable Charles L.A. Terreni
Chief Clerk
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Application of LMDS for a Certificate of Public Convenience and
Necessity to Provide Competitive Local Exchange and Interexchange
Telecommunications in the State of South Carolina and for
Alternative Regulation, and for Flexible Regulation
Docket No. 2006-70-C, Our File No. 1157-11359

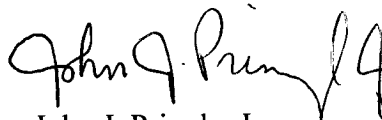
Dear Mr. Terreni:

Enclosed is the original and twenty-five (25) copies of the **Testimony of David LaFrance** filed on behalf of LMDS Holdings, Inc. in the above-referenced docket.

Please acknowledge your receipt of this document by file-stamping the copy of  this letter enclosed, and returning it in the enclosed envelope.

If you have any questions or need additional information, please do not hesitate to contact me.

Very truly yours,

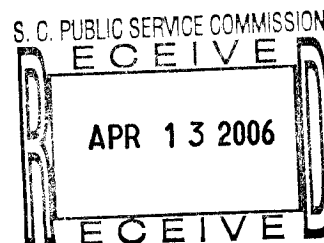

John J. Pringle, Jr.

RETURN DATE: 11/13/06
SERVICE: Called 4/11/06
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JJP/cr

cc: Office of Regulatory Staff Legal Department [via first-class mail service]
Mr. David LaFrance [via first-class mail service]
Katherine E. Barker, Esquire [via first-class mail service]

Enclosures



**BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2006-70-C**

In Re Application of)	
)	
LMDS HOLDINGS, INC.)	
)	Direct Testimony of David LaFrance
)	
For a Certificate of Public)	
Convenience and Necessity)	
To Provide Facilities-Based and)	
Resold Local Exchange and)	
Interexchange Telecommunications)	
Services Within the)	
State of South Carolina and for)	
Alternative Regulation First)	
Approved in Docket No. 95-661-C)	

1 **Q. Please state your name, business address and title.**

2 A. My name is David LaFrance, and my business address is 11111 Sunset Hills Road,
3 Reston, Virginia, 20190. My title is Senior Manager - Regulatory and External Affairs at
4 LMDS Holdings, Inc.

5 **Q. Please state your qualifications.**

6 A. I am currently Senior Manager of Regulatory and External Affairs for LMDS Holdings,
7 Inc. responsible for managing federal and state regulatory matters. From September, 1998
8 through November, 2005 I held a series of positions with XO Communications, Inc. with
9 responsibility for state regulatory matters in the Qwest region. From September, 1994 to
10 September, 1998 I was the primary telecommunications policy advisor to the Utah Public
11 Service Commission and prior to that served from 1990 to 1994 as the primary
12 telecommunications analyst for the Rhode Island Public Utilities Commission. I hold a
13 Bachelor of Arts degree from Saint Michael's College and an interdisciplinary Master of

1 Arts from the American University School of Communication and the Kogod Business
2 School.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to present evidence describing the technical, managerial,
5 and financial fitness of Holdings to provide facilities-based and resold local exchange and
6 interexchange telecommunications services within the State of South Carolina. This
7 testimony will also describe the services to be provided by Holdings in its proposed tariff.
8 Finally, my testimony will show that the public interest will be served by the approval of
9 Holdings' Application.

10 **Q. Are all of the statements in Holdings' Application correct and true to the best of**
11 **your knowledge, information and belief?**

12 A. Yes.

13 **Q. Do you wish to incorporate by reference any documents into this testimony?**

14 A. Yes. I wish to incorporate, by reference, the underlying Application filed in this
15 proceeding and its associated exhibits.

16 **Q. Do you ratify and confirm the statements and representations made in that**
17 **Application and all Exhibits attached thereto?**

18 A. Yes, with the exception of the sections relating to Holdings' corporate structure and the
19 sale of some of its assets to Elk Associates, LLC, as outlined in its 10K filing for 2005.
20 This sale was cancelled on March 30, 2006.

21 **Q. Has Applicant registered to do business in South Carolina?**

22 A. Yes. Applicant received foreign corporation authority in South Carolina on April 7, 2006.
23 A copy is attached as *Exhibit 1* to this testimony.

1 **Q. Has anything occurred since the Application of LMDS Holdings, Inc. was filed on**
2 **March 2, 2006 that materially changes representations made therein?**

3 A. Yes. As noted in Footnote 1 of the Application, XO Holdings, Inc. ("XOH"), parent
4 company of Applicant, completed a *pro forma* restructuring merger on February 28,
5 2006. As a result of the restructuring, XO Communications, Inc., the former parent
6 company of the Applicant, was merged into XO Communications, LLC ("XO LLC") and
7 removed from the ownership structure of XOH. The restructuring was intended to
8 facilitate the sale of XO LLC to Elk Associates, LLC ("ELK"), pursuant to an Equity
9 Purchase Agreement ("EPA") entered into by XO Communications, Inc. and XOH on
10 November 4, 2005 providing for the sale of XO's wireline telecommunications business
11 to Elk for \$700 million, a transaction that was terminated by mutual consent of XOH and
12 Elk on March, 30, 2006. Had the EPA been consummated, XOH would have continued
13 as a public company with Applicant as a sole wholly owned subsidiary, while XO LLC's
14 wireline telecommunications businesses would have become privately held by Elk. As a
15 consequence of termination of the EPA, Applicant and XO Communications Services,
16 Inc., will operate as separate subsidiary business units of XOH. As a result of these
17 events, the ultimate ownership of Applicant has not changed. Carl C. Icahn continues to
18 hold approximately 62% of the equity and voting interests in XOH, the same interest Mr.
19 Icahn held in XO Communications, Inc. prior to the restructuring.

20 **Q. Please describe the current corporate structure of Holdings.**

21 A. Applicant is a wholly owned subsidiary of XO Holdings, Inc., a publicly traded,
22 facilities-based wireline telecommunications service provider that offers a comprehensive
23 array of telecommunications services to business customers through its wholly owned

1 subsidiary, XO Communications Services, Inc. which is certified by the Commission to
2 provide interexchange services on a facilities and resale basis. Applicant and XO
3 Communications Services, Inc., are both wholly-owned subsidiaries of XO Holdings, Inc.
4 which operates each as a separate business unit.

5 **Q. Does Holdings have the requisite managerial, technical and financial abilities to**
6 **provide service for which it has applied?**

7 A. Yes.

8 **Q. Please describe Applicant's financial abilities?**

9 A. Applicant will have access to adequate funds for its operations through its parent
10 company, XO Holdings, Inc.

11 **Q. Please describe the technical and managerial qualifications of Holdings.**

12 A. Applicant's management team includes individuals with substantive experience in
13 successfully developing and operating telecommunications business. Consequentially,
14 the Company has the adequate internal technical resources to support its South Carolina
15 operations. This expertise in the telecommunications industry makes Applicant's
16 management team well-qualified to operate its local exchange and interexchange
17 operations in South Carolina. Specific details of the business and technical experience of
18 Holdings' officers and management personnel were attached to the Application as
19 Exhibit D, and also contains biographies and a brief description of the business
20 experiences of key management personnel who will be responsible for Applicant's
21 telecommunications services in South Carolina and throughout the United States.

22 **Q. What services will Holdings offer?**

1 A. The Applicant plans to initially offer dedicated point-to-point transport and data services
2 to enterprise customers and other common carriers. At a later date, Holdings may expand
3 its service offerings, to include a broader range of products and services.

4 **Q. Does the Company intend to offer prepaid debit card services in South Carolina?**

5 A. Not at this time. The Company is aware of this Commission's \$5,000 bond or certificate
6 of deposit requirement associated with prepaid debit card services, and will file such an
7 instrument with the Commission should the Company decide to offer these services.

8 **Q. How will Applicant bill for its services?**

9 A. Applicant will bill all of its end-user customers directly. Holdings does not intend to
10 utilize a billing agent in issuing bills for services rendered to end users. Applicant will
11 not use a "billing clearinghouse" or other outside entity to issue bills to its customers. All
12 bills sent to end-user customers will bear the Company's name and provide a toll-free
13 number for customer inquiries and complaints.

14 **Q. How are trouble reports and customer complaints handled?**

15 A. Holdings has a toll free number available for its customers to contact the Company with
16 billing and service related issues: 1-877-714-6398. Customers may contact the Company
17 with billing related issues twenty four (24) hours a day, seven (7) days a week by using
18 the toll free number provided in Paragraph 20. In addition, customers may request
19 assistance for any billing questions or general customer inquiries on-line via
20 https://www.businesscenter.xo.com/ecustomer_enu. or for repair issues or other requests,
21 including billing support, Customers may send an e-mail to cr-snaops@xo.com.

22 **Q. Does the Company have offices in South Carolina?**

1 A. No. The Company does not intend to have offices in South Carolina at this time.
2 Accordingly, Holdings requests, pursuant to Rule 103-610, that the Commission allow it
3 to keep all applicable books and records at its offices in Virginia. Should the
4 Commission or ORS desire to inspect such books and records, Holdings will provide
5 access expeditiously at its own expense.

6 **Q. Does the Company intend to publish telephone directories or file an operating area**
7 **map with the Commission?**

8 A. No. The Company will contract for the placement of its customer's information as
9 applicable and appropriate with the existing directory publishers. Accordingly, the
10 Company requests a waiver of Commission Rule 103-631. Because the Company will
11 operate within the existing service areas of the existing incumbent local exchange carriers
12 ("ILECs), the Company requests that it not be required to create and file any such
13 operating area map as required by Commission Rule.

14 **Q. By what method will the Company keep its financial records?**

15 A. The Company uses Generally Accepted Accounting Principles ("GAAP"). To the extent
16 that the Rules of the Commission require the use of the Uniform System of Accounts
17 ("USOA"), the Company requests a waiver in order that GAAP be allowed.

18 **Q. How will the Company market its services?**

19 A. Applicant will market its services through a direct sales team segmented to focus on
20 government, enterprise and carrier markets.

21 **Q. Has the Applicant obtained authority to provide its services in any other states?**

22 A. Holdings is in the process of applying for Certificates in the following jurisdictions:
23 Alabama, Arizona, California, Colorado, Connecticut, Georgia, Indiana, Kentucky,

1 Michigan, New Hampshire, New Mexico, North Carolina, Oklahoma, Pennsylvania,
2 South Carolina, and Wisconsin. Applicant has been granted certification in the District
3 of Columbia, Florida, Illinois, Iowa¹, Maryland, Massachusetts, Minnesota, Missouri,
4 Nebraska, New York, Ohio, Oregon, Rhode Island, Texas and Washington.

5 **Q. Please describe the proposed tariffs filed by Holdings.**

6 A. Holdings has included proposed tariffs for its services, which contains the rules,
7 regulations and rates for Holdings' service. Applicant proposes to offer
8 telecommunications transport services to enterprise customers and other carriers. I
9 believe that Holdings' tariffs will comport with all applicable Commission Rules and
10 Orders, and Holdings agree to make all changes suggested by the ORS necessary to
11 comply with all such applicable authority.

12 **Q. Will the Company provide any equipment or facilities in connection with its**
13 **services?**

14 A. The Company does not intend to provide customer premises equipment to its customers.
15 Initially, Company intends to focus on deploying technology to provide a core set of
16 communications transport services tailored to meet specific needs of carriers, particularly
17 commercial mobile radio service (CMRS) providers and enterprise business customers
18 with high capacity point-to-point digital data communication needs. The circuit and
19 transmission equipment Holdings has selected for deployment includes ports for both
20 traditional time division multiplexed ("TDM") circuits as well as Internet Protocol ("IP")
21 ports for Ethernet services.

¹ In Iowa, the Utilities Board will issue an Order in Lieu of Certificate to carriers providing non-voice grade services. This Order recognizes that the carrier is providing a telecommunications service and is entitled to all of the rights and subject to all of the obligations under 47 U.S.C. §251. Under Iowa Code §476.95, only carriers providing voice grade local exchange services are required to be certified.

- 1 **Q. Will granting a Certificate serve the public interest of South Carolina consumers?**
- 2 A. A decision by the Commission to grant Applicant authority to provide local exchange and
- 3 interexchange telecommunications services is in the public interest. Applicant is well
- 4 qualified to operate as such a service provider in South Carolina. Consumers of
- 5 telecommunications services in South Carolina will receive the benefits of downward
- 6 pressure on prices, increased choice, improved quality of service and customer
- 7 responsiveness, innovative service offerings, and access to increasingly advanced
- 8 telecommunications technology. The market incentives for new and existing providers of
- 9 telecommunications services will be improved through an increase in the diversity of
- 10 suppliers and competition within the local exchange and interexchange
- 11 telecommunications market. Granting Holdings' Application would enhance the
- 12 development of competition in the local exchange and interexchange markets and provide
- 13 the consumers of South Carolina with all of the benefits described above.
- 14 **Q. Will Holdings offer service in areas served by rural telecommunications providers**
- 15 **or independent telecommunications providers?**
- 16 A. Holdings is requesting authority to provide its data and transport telecommunications
- 17 services in all areas on the state.
- 18 **Q. Who is knowledgeable about Holdings' operations and will serve as the**
- 19 **Commission's/ORS's regulatory and customer service contact?**
- 20 A. All ongoing compliance matters should be directed to my attention. Customer complaint
- 21 and billing matters should be directed to Craig Collins, Vice President, LMDS Holdings,
- 22 Inc., 11111 Sunset Hills Rd., Reston, VA 20190, Telephone: (703) 547-2764, Facsimile:
- 23 (703) 547-2292, E-mail: craig.collins@xo.com . All correspondence, notices and

1 inquiries relating to technical service quality issues should be sent to Thomas E. Purcell,
2 Vice President – Wireless Engineering LMDS Holdings, Inc., 11111 Sunset Hills Rd.,
3 Reston, VA 20190, Telephone: (703) 547-2098, Facsimile: (703) 547-2292, E-mail:
4 thomas.e.purcell@xo.com.

5 **Q. What regulatory treatment has Holdings sought in connection with this Docket?**

6 A. The Applicant requests that its business service offerings be regulated in accordance with
7 the principles and procedures established for alternative regulation in Orders Nos. 95-
8 1734 and 96-55 in Docket No. 95-661-C, and as modified by Order No. 2001-997 in
9 Docket No. 2000-407-C. Applicant also requests flexible regulation for its local
10 exchange telecommunications services as the Commission first granted in Order No. 98-
11 165 in Docket No. 97-467-C.

12 **Q. Will Holdings comply with all of the applicable rules, regulations and orders of the**
13 **Commission?**

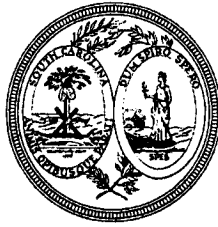
14 A. Yes.

15 **Q. Does this conclude your testimony?**

16 A. Yes.

Exhibit 1

The State of South Carolina



Office of Secretary of State Mark Hammond

Certificate of Authorization

I, Mark Hammond, Secretary of State of South Carolina Hereby certify that:

LMDS HOLDINGS, INC.,
a corporation duly organized under the laws of the state of **DELAWARE** and issued a certificate of authority to transact business in South Carolina on **April 7th, 2006**, has on the date hereof filed all reports due this office, paid all fees, taxes and penalties owed to the Secretary of State, that the Secretary of State has not mailed notice to the Corporation that its authority to transact business in South Carolina is subject to being revoked pursuant to Section 33-15-310 of the 1976 South Carolina Code, and no application for surrender of authority to do business in South Carolina has been filed in this office as of the date hereof.

Given under my Hand and the Great
Seal of the State of South Carolina this
7th day of April, 2006.


Mark Hammond, Secretary of State

Note: This certificate does not contain any representation concerning fees or taxes owed by the Corporation to the South Carolina Tax Commission or whether the Corporation has filed the annual reports with the Tax Commission. It is important to know whether the Corporation has paid all taxes due to the State of South Carolina, and has filed the annual reports, a certificate of compliance must be obtained from the Tax Commission.